

**ASSEMBLY BILL**

**No. 1073**

**Introduced by Assembly Member Dutton**

February 20, 2003

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An act to add Section 6369.6 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1073, as introduced, Dutton. Sales and use taxes: exemptions: nonprescription drugs.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for specified medicines.

This bill would create a new exemption from these taxes for qualified nonprescription drugs, as defined.

Counties and cities are authorized to impose local sales and use taxes in conformity with the state sales and use taxes. Exemptions from the state sales and use taxes enacted by the Legislature are incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 6369.6 is added to the Revenue and  
2 Taxation Code, to read:

3 6369.6. (a) There are exempted from the taxes imposed by  
4 this part, the gross receipts from the sale in this state of, and the  
5 storage, use, or other consumption in this state of, qualified  
6 nonprescription drugs.

7 (b) “Qualified nonprescription drug,” as used in this section,  
8 means a nonprescription drug, as defined in Section 4025.1 of the  
9 Business and Professions Code, that meets the following  
10 conditions:

11 (1) An article intended for use in the diagnosis, cure,  
12 mitigation, treatment, or prevention of disease in man or other  
13 animals.

14 (2) An article, other than food, intended to affect the structure  
15 or any function of the body of man or other animals.

16 (3) An article intended for use as a component of any article  
17 specified in paragraph (1) or (2).

18 (4) The label of which identifies the article as a drug by  
19 containing one or both of the following:

20 (A) A “Drug Facts” box found on the label and as required  
21 pursuant to Section 201.66 of Title 21 of the Code of Federal  
22 Regulations.

23 (B) A statement of the “active ingredient or ingredients,” with  
24 a list of those ingredients contained in the article.

25 SEC. 2. Notwithstanding Section 2230 of the Revenue and  
26 Taxation Code, no appropriation is made by this act and the state  
27 shall not reimburse any local agency for any sales and use tax  
28 revenues lost under this act.

29 SEC. 3. This act provides for a tax levy within the meaning of  
30 Article IV of the Constitution and shall go into immediate effect.  
31 However, the provisions of this act shall become operative on the



- 1 first day of the first calendar quarter commencing more than 90
- 2 days after the effective date of this act.

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